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No. 03-1009

Supreme Court, U.S.
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IN THE

United States Supreme Court

THE ESTATE OF BURNE HOGARTH, BURNE HOGARTH DYNAMIC MEDIA WORLDWIDE LLC, MICHAEL HOGARTH, as the child of deceased author Burne Hogarth, RICHARD HOGARTH, as the child of deceased author Burne Hogarth and ROSS HOGARTH, as the child of deceased author Burne Hogarth,

Petitioners.

v.

EDGAR RICE BURROUGHS, INC.,

Respondent.

On Petition For A Writ of Certiorari to the United States Court of Appeals for the Second Circuit

REPLY TO BRIEF IN OPPOSITION

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INTRODUCTION

The "almost irrebutable presumption" developed by the Second Circuit in the mid-1960s and early 1970s currently mandates "that any person who paid another to create a copyrightable work [i]s the statutory 'author' under the 'work for hire' doctrine," (App. 16a.) That approach, however, conflicts with this Court's longstanding construction of Section 24 of the 1909 Copyright Act, frustrates the intent of Congress, and controverts the historical analysis of the work for hire doctrine in *Community for Creative Non-Violence v. Reid*, 490 U.S. 730 (1989) ("*CCNV*"). It does so by effectively preventing the heirs of virtually *all* independent contractors who created commissioned works under the 1909 Act (and their heirs) from *ever* obtaining renewal rights that Congress intended for the benefit of all authors, especially those who had relinquished their initial term copyrights for small sums and were to be given a "second chance" to enjoy the fruits of a copyright interest in their work.

Respondent's Brief in Opposition ("Opp. Br. _") demonstrates why the Petition should be granted. Dismissing the concerns pointedly raised by Judge Newman's majority opinion as "conjectures" and "more in the nature of musings than definitive reasoning," (Opp. Br. 22 n.17), respondent nevertheless offers no answer to the dilemma recognized by the court below: how can a hiring party obtain title to a commissioned work other than through an implied or actual assignment *after* its creation?[1] This differs fundamentally, of

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[1] The record in this case shows that Burne Hogarth granted rights to respondent ERB in return for payment of royalties (App. 57a) ("You [Burne Hogarth] hereby grant us whatever rights we need to obtain the copyright in our name and to extend and renew that copyright wherever and (continued...)

course, from the copyright obtained by a traditional employer (without assignment) pursuant to Section 26 of the 1909 Act (which nowhere refers to commissioned works or independent contractors). Nevertheless, the court below without proper basis in either Section 26 of the Act or the judicially developed case law prior to 1966, (Opp. Br. 21-24), merged the treatment of independent contractors and traditional employees under the work for hire doctrine,(*see* App. 16a-25(a)) – an approach contrary to this Court's historical analysis in *CCNV*. 490 U.S. 743-50.

REASONS FOR GRANTING THE WRIT

I. Because A Hiring Party Owns a Commissioned Work Created under the 1909 Act Via Implied Assignment from the Author, the Heirs' Right to Obtain the Renewal Term If the Creator Dies Before the Term Vests – as Congress Intended under

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[1](...continued)
whenever we can.") (*Cf.* Opp. Br.). However, Section 24 of the 1909 Act is triggered when either an actual assignment or an implied assignment fails to vest, and therefore the "implied" assignment theory utilized by this Court in *CCNV* provides a strong basis in the record of this case for review of the decision below. Respondent's argument that the economic risk undertaken by the commissioning party justifies ownership of both the initial term *and* the renewal term, (Opp. Br. 12-13) ignores the "basic consideration of policy underlying the renewal provision [of the 1909 Act]," which was the right of the "the author to sell his 'copyright' [to the initial term] without losing his renewal interest." *See Fred Fisher Music Co. V. M. Witmark & Sons*, 318 U.S. 643, 653-54 (1943). Apart from shared royalty income, Respondent ERB in this case also fails to note that it received, by agreement, half of the original – and quite valuable – artwork Hogarth created for the books, worth far more than the $5,000 Hogarth received from ERB. (PEX 45, 716-17.)

Section 24 – Is an Important Question of Federal Law

Under the 1909 Copyright Act as construed in *CCNV*, parties hiring independent contractors – unlike traditional employees – can only acquire a copyright interest in the commissioned work by an express or implied assignment from the individual "author." *See CCNV*, 490 U.S. at 743-44. Petitioners therefore seek review of the decision below because, under established precedent of this Court, a commissioning party who can only obtain a contingent renewal interest by means of an assignment from the author cannot acquire the right to obtain the renewal term unless the author is living when the renewal term commences. *See De Sylva v. Ballentine*, 350 U.S. 570, 582 (1956) ("The evident purpose of § 24 is to provide for the family of the author after his death. Since the author cannot assign his family's renewal rights, § 24 takes the form of a compulsory bequest of the copyright to the designated persons"); *Stewart v. Abend*, 495 U.S. 207, 220 (author's assignment invalid because he had only an expectancy to assign and his death, prior to renewal period, terminates his interest in the renewal which by § 24 vests in the named classes).

Respondent's brief in opposition, however, fails to address the core issue identified by Judge Newman as the basis for questioning the court below's continued adherence to circuit precedent after this Court's analysis of the work for hire doctrine under the 1909 Act in *CCNV*:

> Since with a true work for hire, copyright ownership and the right to obtain the renewal term are with the employer automatically upon the employee's creation of the work, the [*CCNV*] Court's reference to the commissioned party's implied agreement to convey the

> copyright reflects a view that the commissioning party does not have the right to obtain a renewal term if the creator dies before the term vests.

(App., infra, 23a-24a) (emphasis added) (citing *CCNV*, 490 U.S. at 744) ("As for commissioned works, the courts generally presumed that the commissioned party had impliedly agreed to convey the copyright, along with the work itself, to the hiring party.")[2]

As tacitly acknowledged (but not held) by the court below, and as stated in the Nimmer treatise,

> The effect of the [quoted] sentence [in the *CCNV* decision] is that the hiring party owns a commissioned work created under the 1909 Act via assignment, not as its initial proprietor. The right to renew such work, in the first instance, should therefore revert to that author rather than vesting automatically in the hiring party. To that extent, the holding of *Picture Music* becomes untenable.

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[2] Respondent's opposition brief fails to discuss footnote 10 immediately following that sentence, which cites to "the Varmer study of the legislative history of the 1909 Act, "commissioned by Congress as part of the revision [of the 1976 Act]" *CCNV*, 490 U.S. at 744 n.10 (citing Borge Varmer, *Works Made for Hire and On Commission*, Studies Prepared for the Subcommittee on Patents, Trademarks and Copyrights of the Senate Committee on the Judiciary, Study No. 13, 86th Cong., 2d Sess. 130 (Comm. Print 1960) ("Varmer"). Analyzing *Yardley v. Houghton Mifflin Co., Inc.*, 108 F.2d 28 (2d Cir. 1939), Varmer cites to dictum in that case implying that "the renewal right in the case of works made on commission reverts to the author or his heirs or representatives." Varmer, 130 n.7.

3 Melville B. Nimmer and David Nimmer, Nimmer on Copyright § 9.03[D], at 9-28.4 (2202) ("Nimmer") (emphasis added).

The Nimmer treatise, in discussing the justification for denying a traditional employee "the author's unusual right of renewal," observes that an "employer who directs and supervises the manner in which the writer performs his work is himself in a sense thereby making a contribution of authorship that may justify the Congressional conclusion that, on balance, the employer in such circumstances is entitled to claim the renewal copyright in the work." 3 Nimmer § 9.03[D], at 9-28.3 n.97. In this case, the absence of any viable claim of co-authorship[3] is conclusive because, as Nimmer further states,

> Whatever the justification for this rationale [of denying an employee the author's usual right of renewal] in the true employment for hire relationship, it does not justify depriving an independent contractor of his right of renewal where, by hypothesis, the party commissioning

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[3] Despite respondent's belated protest to the contrary, (Opp. Br. 5-6 n.8), ERB's counsel "disclaimed co-authorship" in the Hogarth artwork at oral argument, (App. 35a n.6), and did not cross-appeal as to this issue. Although ERB now attempts to assert that its former employee, Robert Hodes, was somehow a co-author of the artwork at issue, he was never listed on any copyright certificates filed by ERB as a "co-author" of Burne Hogarth's work. (App. 35a n.6.) Respondent also omits that Hodes was fired as president of ERB in 1976, (PEX 1378), and commenced a lawsuit related to his discharge against ERB in California, in which ERB asserted counterclaims. (PEX 988-1033.) The court found that Hodes was not a credible witness, (PEX 991), and had made misrepresentations to ERB's Board, including about his role in the creation of the Hogarth works at issue here. (PEX 1017.) ("PEX_" refers to Petitioners' exhibits in the court below.)

> the independent contractor has made no such authorship contribution either by direction or supervision.

Id. (emphasis added.)

II. Clarification of the Second Circuit's Misconception of the Law Governing Renewal Rights Available to the Heirs of Commissioned Works Created by Independent Contractors under the 1909 Copyright Act Will Restore Order to the Marketplace for Copyrights and Provide Guidance to Thousands of Applicants Eligible to File for Renewals During 2004 and 2005

Contrary to respondent's assertion that "ERB's reasonable and legitimate expectations" would be frustrated by rejection of the court below's construction of the 1909 Copyright Act pertaining to commissioned works under the work for hire doctrine, (Opp. Br. 30), it was not until two years after the agreement between ERB and Burne Hogarth was executed in 1970 that the Second Circuit altered the copyright landscape by deciding *Picture Music, Inc. v. Bourne, Inc.*, 457 F.2d 1213 (2d Cir. 1972). Accordingly, ERB could not have reasonably relied upon the change in longstanding law effected by that decision, which, due to inaccuracies and misstatements of holdings upon which it is based, has now been shown to be flawed by the opinion below. (App. 19a-21a.) Nor does it appear that other similarly situated hiring parties could reasonably rely upon the unprecedented "merge[r] by the Second Circuit of the *Yardley* presumption into the work-for-hire doctrine," (App. 19a), especially given the extensive legislative history and protracted negotiations from 1958 onward leading up to revision of the 1909 Copyright Act. *See* Varmer at 127-135; I.T. Hardy, *Copyright Law's Concept of*

Employment – What Congress Really Intended, 35 J.Copr.Soc. USA 210-223, 256-58 (1988) ("*Concept of Employment*").

Rather than promoting chaos and uncertainty, (*cf.* Opp. Br. 28-30), clarification of the applicability of the work for hire doctrine under the 1909 Act as applied to commissioned works by independent contractors will provide much needed guidance to potentially thousands of renewal applicants. Based upon U.S. Copyright Office figures from 2001 and 2002, in which more than 19,000 renewal registrations were filed in each of those years, a similar number of such registrations may be expected during 2004 and 2005. *See* 104th Annual Report of the Register of Copyrights 54 (U.S. Copyright Office, September 30, 2001); 105th Annual Report of the Register of Copyrights 53 (U.S. Copyright Office, September 30, 2002).

III. Strong Reasons Exist to Review the 1909 Act's Work for Hire Test Pertaining to Commissioned Works, Notwithstanding Respondent's Confusion of the Issue Presented and Mischaracterization of the Record

Respondent seeks to substitute, without valid basis, its own *five* incoherent questions presented, (Opp. Br. i-ii), instead of focusing on the apparent conflict identified by the court below. (App. 24a.) For example, respondent's lengthy discussion of the "creative contribution" required to secure a copyright either ignores, (Opp. Br. 10-11), or confuses (Opp. Br. 5-10, 12-18), petitioners' arguments about the constitutional meaning of "author" as that term should be harmonized with this Court's treatment of commissioned works by independent contractors under the work for hire doctrine. *See CCNV*, 390 U.S. at 744 (discussing definition of "author" in Section 26 of the 1909 Copyright Act to include "employer" and

distinguishing works created by a "commissioned party").[4] Equally without relevance to the actual question presented is respondent's diversionary (and erroneous) argument that Congress has "repeatedly approved the 1909 Act Work for Hire Test." Instead, Congress took clear action, culminating in the 1976 Act, to modify its abhorrent provisions, which had confounded courts and copyright stakeholders alike. *See* I.T. Hardy, *Concept of Employment*, 210-212, 223-44, and which yielded intolerably cynical results. *See generally* I.T. Hardy, *An Economic Understanding of Copyright Law's Work-Made-For Hire Doctrine*, 12 Colum.-VLA J. L. & Arts 181 (1988). Moreover, respondent's novel assertions that Congress "carried forward" work for hire status in the1998 amendment of 17 U.S.C. §304(a) apparently misstates what occurred, which is that the legal effect of copyright renewal remains unchanged. *See* Section 102(c) of Public L. 102-307, as amended by Pub. L. 105-298, § 102(d)(2)(A). But not addressed at all by respondent are foreign laws that historically shaped the work for hire doctrine in the context of commissioned works. *See* Varmer 135-39. Nor does respondent address the absence of a bar to its long delayed claims on statute of limitations grounds or by laches, (Opp. Br. 1 n.2), which bolsters the need for broad review of the work for hire doctrine applied by the court below.

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[4] *See* I.T. Hardy, *Concept of Employment*, 35 J.Copr.Soc. USA 210, 224-26(reviewing concept of authorship in context of employment for hire and citing report by Register of Copyrights stating that "commissioned works were not regarded as works for hire" under the 1909 Act or that 'employment' meant anything other than regular, salaried employment"). *See also* Marci A. Hamilton, *Commissioned Works As Works Made for Hire Under the 1976 Act: Misinterpretation and Injustice*, 135 U. Pa. L. Rev. 1281, 1284-5 (1987) (citing Stenographic Report of the Proceedings of the Librarian's Conf. on Copyright, 2d Sess. 65 (Nov. 1-4, 1905), reprinted in 2 LEGISLATIVE HISTORY OF THE 1909 COPYRIGHT ACT at 65 (E. Brylawski & A. Goldman eds. 1976) (statement of Mr. A.W. Elson of A.W. Elson & Co., educational art publishers).

Respondent also paints an inaccurate portrayal of the facts.[5] This underscores the mischief at play in the "irrebutable presumption" conception of the "instance and expense test" and exposes its threat to the copyright markeplace. As misconstrued by the court below to apply to renewal rights in a commissioned work, it permits a sophisticated corporation such as ERB (which is *not* a "small, family business") to wait more than two decades – when key witnesses are dead, evidence is lost, and memories have faded – to claim ownership of works that it had never previously asserted were authored (from the moment of their creation) by anyone other than Burne Hogarth.[6] *Cf. CCNV*, 490 U.S. at 750 (discussing negative implications of unilateral action by hiring party to obtain "work-made-for-hire rights years after the work has been completed").

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[5] The question presented does not turn upon respondent's mischaracterization of the factual record. But a more balanced presentation of the record, as set forth in the the Joint Appendix to the Briefs, and to Petitioners' Exhibits in the Second Circuit Court of Appeals ("JA__ and PEX__," respectively), shows that contrary to respondent's assertion, the record contains no "admission" by Petitioners that "they would not have sued but for the Disney Tarzan movie." (Opp. Br. 3; *cf.* JA 320-21; 2203.) The record also shows that the Walt Disney Company sought out Burne Hogarth – a world famous art instructor, author, and co-founder of the school of Visual Arts in New York –to teach a series of master classes on drawing and animation to Disney's professional animators at the Disney Studio in 1988. (PEX 1054-1102, 2104, 2674-75.)

[6] For nearly two decades, ERB (and its counsel) never claimed that Burne Hogarth was an "employee for hire," and waited an additional three years after Hogarth's death in 1996 to assert for the first time in 1999 that ERB was the "statutory author" of Hogarth's 1972 and 1976 Tarzan work, identified as "all new" pictorial works in the 1970s. (App. 12a, 32-33a; PEX 68, 227.)

And finally, in an apparent effort to cast doubt on whether the record presents an adequate basis for review, respondent asserts that an authorized, derivative work is not entitled to full copyright protection under the 1909 Copyright Act, (Opp. Br. 27-28), and nowhere mentions that the underlying Edgar Rice Burroughs' Tarzan books themselves are now in the public domain. (App. 3a.)[7]

CONCLUSION

The Court should grant this petition.

Respectfully submitted,

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[7] This Court, however, has never taken the position that a derivative work is entitled to less protection under the 1909 Copyright Act than the underlying work. Rather, "Congress simply intended that a derivative work author may not employ a copyrighted work without the author's permission, although of course he can obtain copyright protection for his own original additions." *Stewart v. Abend*, 495 U.S. 207, 232 (1990). This Court has made clear, however, that "[t]he principle that additions and improvements to existing works of art receive copyright protection was settled at the time the 1909 Act was enacted . . . ." *Id.*